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# Board Action Bulletin

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*Prepared by the Office of Public and Congressional Affairs*

## NCUA BOARD MEETING RESULTS FOR JUNE 29, 2011

### NCUA Finalizes Voluntary Prepayment of Stabilization Fund Assessments Plan

#### *Revised Program Could Significantly Decrease 2011 Assessments*

**ALEXANDRIA, Va. (June 29, 2011)** – Responding to requests and feedback from credit unions, the NCUA Board today unanimously adopted a plan to permit voluntary prepayments of \$500 million in Corporate Stabilization Fund assessments. The approved program has the potential to decrease the currently projected 2011 Stabilization Fund assessment by 6.4 basis points from 24.9 to 18.5 basis points of insured shares.

NCUA designed the voluntary prepayment of Stabilization Fund assessments program with the following principles in mind:

- Setting assessments in a counter-cyclical manner relative to credit union performance and providing resolution to the corporate crisis during this economic cycle;
- Maintaining a meaningful contingency in Treasury borrowing capacity; and
- Using credit union prepayments to meaningfully reduce near-term Stabilization Fund assessments.

At the May 19 open Board meeting, NCUA made available for public feedback a proposed voluntary prepayment of Corporate Stabilization Fund assessments program. NCUA received 184 comments. Overall, comments were generally positive, requested a dollar-for-dollar decrease in assessments, and an increased aggregate minimum from the originally proposed \$300 million. Based on these public comments, the Board adopted this revised plan.

The key programmatic changes from the original proposal include:

- Dedicated Use: NCUA committed to using all received prepayments to decrease 2011 assessments dollar-for-dollar.
- Program Size: NCUA set the program's size at \$500 million.
- Maximum Prepayment: NCUA increased the maximum amount a credit union may voluntarily prepay to 48 basis points of March 31 insured shares; and

- Minimum Contribution: NCUA adopted a more inclusive minimum participation standard of \$1,000 or at least 5 basis points of March 31 insured shares—allowing 98 percent of credit unions to participate in the program.

Remaining from the original proposal, other elements of the approved program include:

- Participation will be purely voluntary and open to all federally insured credit unions able to meet the minimum participation amount;
- Liquidity will be provided to the Stabilization Fund through an advance of assessments from participating credit unions; and
- If credit unions commit to raising an aggregate amount (\$500 million), NCUA will implement the voluntary prepaid assessment program.
- Participating credit unions will not accrue interest on prepaid assessments. NCUA has no independent authority to issue interest-bearing debt.
- NCUA will apply the program amounts as offsets against Stabilization Fund assessments for the years 2013 and thereafter, subject to any remaining balance.

Voluntarily prepaying future assessments will not change the ultimate cost of the Corporate System Resolution.

Program information and instructions regarding participation are available on NCUA's website. Credit unions wishing to participate should [click here](#), download the participation form, and return it to NCUA no later than July 29. NCUA will also communicate this information via a forthcoming Letter to Credit Unions.

On Aug. 9, NCUA will tally the participation level to see if credit unions commit to \$500 million and announce the results. If not, the program would not be executed and the regular scheduled assessment would be billed. If credit union commitments exceeded the program amount, all credit unions participating would be debited a prorated amount of their commitment on Aug. 18—and a reduced assessment would follow.

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